

**UNITED ACADEMICS - AAUP/AFT**  
**STATEMENT OF EXPENSES AND ALLOCATION**  
**BETWEEN CHARGEABLE EXPENSES AND**  
**NON-CHARGEABLE EXPENSES FOR THE**  
**YEAR ENDED JUNE 30, 2010**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**

**INDEPENDENT AUDITOR'S REPORT**

The Executive Committee  
United Academics - AAUP/AFT

We have audited the accompanying statement of expenses and allocation between chargeable expenses and non-chargeable expenses of United Academics - AAUP/AFT for the year ended June 30, 2010. This statement is the responsibility of United Academics' management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement. We believe that our audit provides a reasonable basis for our opinion.

The total expenses reflected in column A of the statement are based on the expenses of United Academics - AAUP/AFT for the year ended June 30, 2010. The allocation of expenses between chargeable (column B) and non-chargeable (column C) is based on the definitions and significant factors and assumptions described in Notes 2 and 3.

In our opinion, the statement referred to above presents fairly, in all material respects, the total expenses of the United Academics - AAUP/AFT for the year ended June 30, 2010 and the allocated expenses between chargeable and non-chargeable expenses, on the basis of the definitions and significant factors and assumptions described in Notes 2 and 3.

This report is intended solely for the information and use of the United Academics - AAUP/AFT and its agency fee payers, and is not intended to be and should not be used by anyone other than these specified parties.

Montpelier, Vermont  
September 17, 2010

*Mudgett, Jennett &  
Krogh-Wisner, P.C.*

**UNITED ACADEMICS - AAUP/AFT**  
**STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Column A</u>	<u>Column B</u>	<u>Column C</u>	
	Total	Chargeable	Non-chargeable	
	<u>Expenses</u>	<u>Expenses</u>	<u>Expenses</u>	<u>Note 3</u>
Direct expenses:				
Dues - national and state	\$ 288,193	\$ 203,118	\$ 85,075	a
Executive Council - honoraria	61,514	59,670	1,844	b
Executive Council - other	287	191	96	b
Member meetings	2,334	2,334	-	b
Member communication	2,683	2,528	155	b
Conventions	2,172	2,172	-	b
Other professional services	2,134	2,134	-	c
Clerical assistance	2,837	2,837	-	c
Higher education consultant	21,480	21,265	215	c
Staff - other	3,082	3,082	-	c
Negotiations - honoraria	2,750	2,750	-	c
Negotiations - legal	2,441	2,441	-	c
Negotiations - other	1,005	1,005	-	c
Insurance	175	-	175	d
Speakers and events	717	-	717	e
Scholarships	<u>2,300</u>	<u>-</u>	<u>2,300</u>	f
Total direct expenses	<u>396,104</u>	<u>305,527</u>	<u>90,577</u>	
General, administrative and operating expenses:				
Office	895	895	-	g
Contract administration	61,704	61,704	-	c
Bookkeeping services	1,430	1,430	-	c
Legal services	10,280	10,280	-	c
Website	312	312	-	g
Contributions	6,400	-	6,400	h
Payroll taxes	8,103	8,103	-	g
Miscellaneous	<u>250</u>	<u>250</u>	<u>-</u>	g
Total general, administrative and operating expenses	<u>89,374</u>	<u>82,974</u>	<u>6,400</u>	
Total expenses	\$ <u>485,478</u>	\$ <u>388,501</u>	\$ <u>96,977</u>	
Percentage	<u>100.00%</u>	<u>80.02%</u>	<u>19.98%</u>	

See independent auditor's report and the accompanying notes to this statement.

**UNITED ACADEMICS - AAUP/AFT**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**1. Summary of significant accounting policies:**

- A. Basis of presentation - The accompanying statement was prepared for the purpose of determining the fair share cost of services rendered by the United Academics - AAUP/AFT (United Academics) for University of Vermont employees represented by, but not members of, United Academics. The accompanying statement is not intended to be a complete presentation of United Academics' financial position, changes in its net assets, or its cash flows in accordance with generally accepted accounting principles.
- B. Income taxes - United Academics is exempt from federal income taxes under Section 501(c)(5) of the Internal Revenue Code, except on net income from unrelated business activities.
- C. Use of estimates in the preparation of the financial statements - The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of expenses during the reporting period and the allocation of expenses between chargeable and non-chargeable. Actual results could differ from those estimates.

**2. Definitions:**

The following definitions of chargeable and non-chargeable expenses are based on federal and Vermont law and United Academics' interpretation of court decisions.

Chargeable expenses - Chargeable expenses are those incurred by United Academics that reflect the share of the costs of operation of United Academics which are considered necessarily and reasonably incurred for the purpose of negotiating and administering the collective bargaining contract; settling grievances and disputes by mutual agreement, or in arbitration, court or otherwise; activities and undertakings normally and reasonably employed to implement the duties of the local union or council as representative of the employees in the bargaining unit; and the maintenance of the local's affiliate dues and donations.

Non-chargeable expenses - Non-chargeable expenses are those of an ideological or political nature and those that are not germane to collective bargaining.

The term "political" is defined as support for or against candidates for political office of any level of government and any office in the union structure. The term "ideological" is defined as support for or against certain positions that the union may take which are not work-related.

**UNITED ACADEMICS - AAUP/AFT**  
**NOTES TO STATEMENT OF EXPENSES AND ALLOCATION BETWEEN**  
**CHARGEABLE EXPENSES AND NON-CHARGEABLE EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

**3. Significant factors and assumptions:**

United Academics used the following factors and assumptions in the allocation of combined expenses between chargeable and non-chargeable:

- a. Dues - national and state - Dues are allocated to chargeable and non-chargeable expenses based on receipt of audit reports on the allocation of expenses of those organizations as follows:

	<u>Total</u> <u>Expenses</u>	<u>Chargeable</u> <u>Expenses</u>	<u>Non-chargeable</u> <u>Expenses</u>
AFT National	\$ 94,248	\$ 65,125	\$ 29,123
UPV	127,672	108,521	19,151
AAUP	61,950	27,177	34,773
CVCL	656	656	-
CBC/Others	<u>3,667</u>	<u>1,639</u>	<u>2,028</u>
	<u>\$ 288,193</u>	<u>\$ 203,118</u>	<u>\$ 85,075</u>

- b. Executive Council, member meetings, member communication and conventions - These meeting expenses are allocated based on the chargeable percentages of the activities. Meeting expenses primarily for non-chargeable activities are considered to be 100 percent non-chargeable.
- c. Other professional services, clerical assistance, higher education consultant, staff-other, negotiations, contract administration, bookkeeping services and legal services have been allocated based on the estimated chargeable and non-chargeable services.
- d. Insurance - Members liability insurance is considered to be 100 percent non-chargeable.
- e. Speakers and events - Speakers and events are allocated based on the specific content being presented at the event. Expenses allocable to speakers and events political or ideological in nature are deemed not to benefit members and are non-chargeable. The remaining costs are chargeable.
- f. Scholarships - Scholarship expenses are considered to be 100 percent non-chargeable.
- g. Office, website, payroll taxes and miscellaneous expenses have been allocated to chargeable and non-chargeable expenses based on the estimated chargeable and non-chargeable operations.
- h. Contributions are considered to be 100 percent non-chargeable.